CHIEF INVESTMENT OFFICE

# Capital Market Outlook

October 21, 2024

**All data, projections and opinions are as of the date of this report and subject to change.**

## IN THIS ISSUE

**Macro Strategy—*Homestretch: Three Exhibits That Could Help Decide and Determine the U.S. Election:*** In the upcoming election, the vote that is not cast may be just as important—if not more—than the vote that is. Some one-third of eligible U.S. voters did not vote in the 2020 presidential election, or around 80 million no-show voters. Fourteen million of these non-voters were in the swing states. Adding to political uncertainty, it's a long road between election day and the inauguration—with various states having different deadlines for reporting their results, with requests for recounts, legal challenges and similar activities all part of the certification process. The two-month gap between polling and election certification in Congress is one of the most drawn-out in the world.

The markets are pricing in an election scenario that pivots on a divided government. A sweep by either party would result in near-term market volatility as risk assets are repriced. The ultimate factors that decide market returns over the long run are economic and financial variables like real economic growth, earnings growth/momentum, the cost of capital, valuations and related factors. Markets abhor a vacuum so an election without a clear and clean winner the next day could trigger a bout of market volatility. We would use that opportunity to add to high-quality core positions.

**Market View—*A Fear Of Heights: What Could Cause The Markets To Lose Altitude?:*** As U.S. Equities are at or near all-time highs, plenty of good news is priced into U.S. assets and investor sentiment. Just into year-end, however, the market will contend with several risks. The first, the potential for less benign economic data to derail market expectations for future Federal Reserve (Fed) rate cuts. The second, a contentious (and potentially contested) U.S. presidential election. Third, decelerating earnings growth after the healthy broadening of earnings seen in Q2. And four, heightened apprehension about global geopolitics.

Traversing these peaks has us on guard for any potential market volatility and dislocations. And while not precluding more gains for the indexes to close out the year, these risks could lead to more choppy price action. That could invite rebalancing opportunities after the torrid pace of year-to-date (YTD) gains.

**Thought of the Week—*An Update on Style Trends:*** While we've seen Large-cap, Growth-oriented stocks continue to power ahead this year, a potential frontrunner may be emerging in the Value-focused space. Since the start of the second half of 2024, the relationship between Growth and Value has reversed, with Large-Cap Value gaining a notable lead to Growth. A similar pattern is playing out in the Small-cap arena, albeit at a less dramatic rate. A variety of reasons suggest we are in the sweet spot for Value-oriented Equities: easier monetary policy, a broadening market, and a positive earnings and valuation backdrop.


MACRO STRATEGY ▶

**Joseph P. Quinlan**
Managing Director and Head of CIO Market Strategy

**Ariana Chiu**
Wealth Management Analyst

MARKET VIEW ▶

**Lauren J. Sanfilippo**
Director and Senior Investment Strategist

THOUGHT OF THE WEEK ▶

**Theadora Lamprecht**
Assistant Vice President and Investment Strategist


MARKETS IN REVIEW ▶

**Data as of 10/21/2024, and subject to change**

### Portfolio Considerations

As the Fed begins the first easing cycle in four years, our base case is a balanced market outlook within an uptrend where valuation remains sticky and equity prices track earnings growth step-for-step.

Within Equities, we adjust our sector allocations by upgrading Utilities to slight overweight and downgrading Energy to slight underweight. For globally oriented investors, we adjust our geographic allocation by upgrading Japan to slight overweight and lowering Asia Pac ex-Japan to slight underweight. Within Fixed Income, we raise our outlook on munis to neutral for high-tax investors and are lowering our duration to neutral. This month we are also rebalancing our multi-asset portfolios back to our tactical targets and remain overweight Equities relative to Fixed Income in a diversified portfolio.

MACRO STRATEGY

## Homestretch: Three Exhibits That Could Help Decide and Determine the U.S. Election

*Joseph P. Quinlan,* Managing Director and Head of CIO Market Strategy

*Ariana Chiu,* Wealth Management Analyst

In the upcoming election, the vote that is not cast may be just as important—if not more—than the vote that is. Below, we briefly discuss how the election could potentially hinge on no-show voters and highlight the timeline between election day and the inauguration.

Before delving into the specifics, however, suffice it to say that with less than three weeks before the vote, and with major U.S. indexes at or near record highs, the markets are pricing in an election scenario that pivots on a divided government, or a split Congress governing with either a Democratic or Republican president. A sweep by either party would result in near-term market volatility as risk assets are repriced. We highlight the phrase "near-term" because, in the end, the ultimate factors that decide market returns over the long run are economic and financial variables like real economic growth, earnings growth/momentum, the cost of capital, valuations and related factors.

**The Missing 80 Million:** As Exhibit 1A highlights, some one-third of eligible U.S. voters did not vote in the 2020 presidential election. That equates to around 80 million no-show voters, about the size of the entire German population, or one of the largest economies in Europe.

That said, the turnout in 2020 was the highest for any national election since 1900. The lowest over the past few decades was in 1996, when just 58.4% of eligible Americans went to the polls. On a global basis, the U.S. voting-age turnout lags many other parts of the world, with the U.S. ranked 31st among 50 countries polled by Pew Research in 2022.

There are numerous reasons for voter no-shows, ranging from voter apathy (my vote doesn't really count) to unfavorable candidate selection (I don't like either candidate). Low voter turnout has also been attributed to various barriers or hurdles to voting including missing voter registration deadlines, waiting in line too long, physically not being able to get to a polling station, having the incorrect identification, and not being able to take off work.[1] According to FiveThirtyEight, nonvoters are likely to have lower incomes, have lower educations, and don't belong to either party. Against this backdrop, getting the 80 million non-voters off the sidelines will be key to the 2024 election results, notably in the swing states.

**Apathy in the Swing States Matters.** Of the 80 million no-shows in 2020, roughly 14 million, or 32%, were registered in the swing states of Pennsylvania, Michigan, Wisconsin, Arizona, Nevada, North Carolina and Georgia (Exhibit 1B). President Biden won every swing state but one in 2020—North Carolina—but by very slim margins in Arizona, Georgia and Wisconsin. Voter no-shows, in other words, significantly influenced the election results.

Note from the exhibit that in the aggregate, Biden beat Trump by just 238,000 votes in the swing states in 2020, or by less than 2% of the total number of eligible voters that did not vote. This begs the question: If just a fraction of the no-shows in the swing states had bothered to vote in 2020, how might the election results been different? More pertinent, will pollsters be asking themselves the same question post the 2024 vote?

**The Long Road to Inauguration Day.** Exhibit 1C highlights some critical dates following election day. In a nutshell, it's a long road between election day and the inauguration—with various states having different deadlines for reporting their results, with requests for recounts, legal challenges and similar activities all part of the certification process. The two-month gap between polling and election certification in Congress is one of the most drawn-out in the world, which invites lawsuits and court challenges that could ultimately end up at the Supreme Court. That is not our base case. But already, the presidential election of 2024 has triggered some more than 100 election lawsuits across the country.

### Portfolio Considerations

Despite all the election drama of the next few weeks, it's worth noting that market returns are driven more by economic fundamentals and earnings prospects, and less by politics. Any market dips related to political uncertainty is a buying opportunity.

[1] See "Why Many Americans Don't Vote," FiveThirtyEight, October 26, 2020.

Unbeknownst to many, the certification process of a presidential election is a laborious process—it's drawn out and grinds slowly forward, state by state. And while disputing election results is as old as the Republic, the events of January 6, 2021 have cast a whole new light on the road to Inauguration Day.

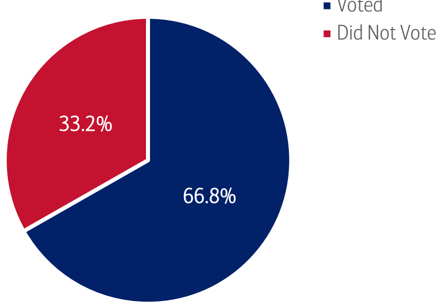
In the end, markets abhor a vacuum so a contested election, or an election without a clear and clean winner the next day, could trigger a bout of market volatility (which, by the way, we use as an opportunity to add to high-quality core positions).

**What's an investor to do?** We believe that investors should remember the following: **First, profits have always trumped politics.** Politics matter to the markets, but the long-term driver of returns has been company profits against macroeconomic conditions. **Second, we continue to emphasize quality in portfolios—across all asset classes.** Political uncertainty and the attendant rise in volatility means a premium on quality assets. **Third, diversification has never been more important.** The broader, the more diversified the construction of a portfolio (incorporating not just stocks and bonds of all stripes, but alternatives like hedge funds, credit, private real estate, etc.), the greater the wherewithal to smooth out the cyclical ups and downs (volatility), notably in an election year. **Four, stay invested in the key macro structural themes of today—they are more consequential to portfolio returns than the election cycle.** Our top themes include hard power or defense/cybersecurity, the grid (infrastructure spending), and applications of artificial intelligence. **Fifth, stay close to home—we maintain a bias toward U.S. Equities,** owing to stronger balance sheets, sturdy economic fundamentals, and the innovative capacity of the U.S. **Finally, take the long view—see the forest before the trees**—take a long-term approach to investing and maintain a disciplined and diversified portfolio while actively rebalancing asset classes.

**Exhibit 1: What Matters: No Shows, Swing States and Critical Dates.**

1A) 2020 U.S. Presidential Election Voter Turnout.

Percent of Eligible Voter Population




1B) No Shows in the Swing States.

| State | Did Not Vote (Millions) | % Did Not Vote | 2020 Winner | Margin of Victory (Thousands) |
|---|---|---|---|---|
| Arizona | 1.4 | 28% | Biden | 10 |
| Georgia | 2.5 | 34% | Biden | 12 |
| Michigan | 2.5 | 33% | Biden | 154 |
| Nevada | 0.8 | 39% | Biden | 34 |
| North Carolina | 2.6 | 35% | Trump | 74 |
| Pennsylvania | 2.9 | 30% | Biden | 82 |
| Wisconsin | 1.2 | 26% | Biden | 21 |
| Swing Total | 13.9 | 32% | Biden | 238 |

1C) Selected Election Season Dates.

| | |
|---|---|
| **November 5th, 2024** | **Election Day** |
| **9th** | Nevada: Deadline for postal ballots to arrive |
| **12th** | Georgia: Deadline to complete count |
| **14th** | Georgia: Deadline to request a recount |
| **15th** | Nevada: Deadline to complete count |
| **19th** | Pennsylvania: Deadline to complete count |
| **20th** | Nevada: Deadline to request a recount |
| **25th** | Arizona: Deadline to complete count |
| | Michigan: Deadline to complete count |
| | Pennsylvania: Deadline to dispute election |
| **27th** | Michigan: Deadline to request a recount |
| **30th** | Arizona: Deadline to dispute election |
| **Dec. 1st, 2024** | Wisconsin: Deadline to complete count |
| **2nd** | Wisconsin: Deadline to request a recount |
| **6th** | North Carolina: Deadline to complete count |
| **10th** | North Carolina: Deadline to request a recount |
| **11th** | National deadline to complete counts |
| **17th** | Electors vote for president |
| **Jan 3rd, 2025** | New Congress seated |
| **6th** | Congress tallies results |
| **20th** | **New president sworn in** |

Exhibit 1A) Source: Census Bureau. Data as of October 1, 2024. Exhibit 1B) "Did Not Vote" and "% Did Not Vote" refer to eligible voters. Sources: Census Bureau; CNN. Data as of October 1, 2024. Exhibit 1C) Source: The *Economist*. Data as of September 14, 2024.

MARKET VIEW

## A Fear Of Heights: What Could Cause The Markets To Lose Altitude?

*Lauren J. Sanfilippo,* Director and Senior Investment Strategist

There is plenty for investors to cheer rolling into year-end. The major U.S. indexes, at or near all-time highs, are supported by an economy that continues to defy expectations. Indeed, U.S. economic growth has largely surprised to the upside this year, trudging along at an above-trend pace of 3.4% for Q3.[2] One key lesson of this year rings true: Never underestimate the underlying strength of the U.S. economy.

But maybe, hold the fanfare. Traversing peaks—literally and financially speaking—can be tough climbing at these levels. From here, it could be harder to scale much higher than it is to gap lower given the near-term setup. In other words, a tremendous amount of good news is priced into U.S. assets and investor sentiment, which has us on guard for any potential market tantrums, fits and volatility.

We discuss four risks below that could lead to more chop and churn to close out the year. The first, the potential for less benign economic data to derail market expectations for future Fed rate cuts. The second, a contentious (and potentially contested) U.S. presidential election. Third, decelerating earnings growth after the healthy broadening of earnings seen in Q2. And fourth, heightened apprehension about global geopolitics.

None of this precludes more gains into year-end but could lead to more choppy price action. That could invite rebalancing opportunities after the torrid pace of year-to-date gains.

**Is the Fed on the right flight path? Incoming data has been favorable but warrants attention.** A string of relatively benign data has been welcomed news by the markets as the Fed began cutting rates in September, kicked off by a 50 basis point cut to the federal funds rate. This followed a convincing pattern of moderation of inflation gauges and improvement to underlying components such as shelter inflation in the latest 2.4% year-over-year (YoY) consumer price index reading.[3] Expectations for the number of rate cuts through to December of next year gapped down following the Fed's initial supersized cut (two cuts were walked back), and again following the release of the September jobs data. Currently, the market has settled in around six rate cuts through the end of next year (Exhibit 2A). There is potential for incoming data to catch markets by surprise in the wake of Hurricanes Helene and Milton, especially to October's employment report (and rate cut expectations on this basis).

With an economy that is growing at an above-trend rate, there is a growing chorus of investors suggesting the Fed need not raise rates as aggressively as the market expects. In a nutshell, stronger-than-expected real growth in the U.S., coupled with a rise in future inflation expectations, could alter expectations of where the Fed funds rate ultimately lands.

**A contentious (and potentially contested) election.** A high degree of uncertainty is reflected in polling odds between Democratic nominee Vice President Kamala Harris and Republican nominee former President Donald Trump. The candidates appear to be neck-and-neck in both national polls as well as in key battleground states. Where things currently stand: Prediction markets imply Harris and Trump are careening toward a dead heat, with Harris leading Trump by a 0.9 spread nationally, while in the key battleground states, Trump leads Harris by 1.0 percentage points across the swing states.[4] Neither candidate has held a sustainable lead in the national odds beyond a normal polling margin of error.

No doubt, November's vote remains a major risk event for markets, feeding uncertainty into asset prices. More exhausting though might be the judicialization of politics, with 165 lawsuits already filed to contest Election Day results (Exhibit 2B). Assume volatility as a constant in any election-year market, but especially with this election, which is already under dispute. Election-driven weakness should, in our view, subside following the certification process to the election.

### Investment Implications

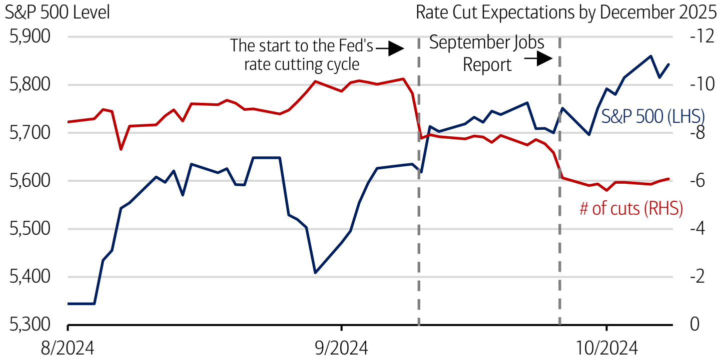
With stocks at new heights, and with near-term uncertainty also elevated, it's an opportune time to ensure that portfolios are well positioned to traverse these near-term market dynamics. We would underscore the importance of maintaining a diversified, long-term investment approach, as volatility is likely to present opportunities for those investors looking to reallocate or rebalance into year-end.

[2] Quarter-over-quarter annualized rate. Source: Atlanta Fed GDPNow Tracker, October 17, 2024.
[3] Consumer Price Index. Source: Bureau of Labor Statistics. Data as of October 2024.
[4] Battleground states: Arizona, Nevada, Wisconsin, Michigan, Pennsylvania, North Carolina, and Georgia according to Real Clear Politics. An average applied to the 7 state spreads. Data as of October 20, 2024.


RETURN TO FIRST PAGE

**Exhibit 2: Uncertain Paths: Fed Policy and Election Results.**

2A) The Market Reset In Rate Cut Expectations.




2B) Already Contested? 2024 election fight mounts as vote nears with 165 cases filed.

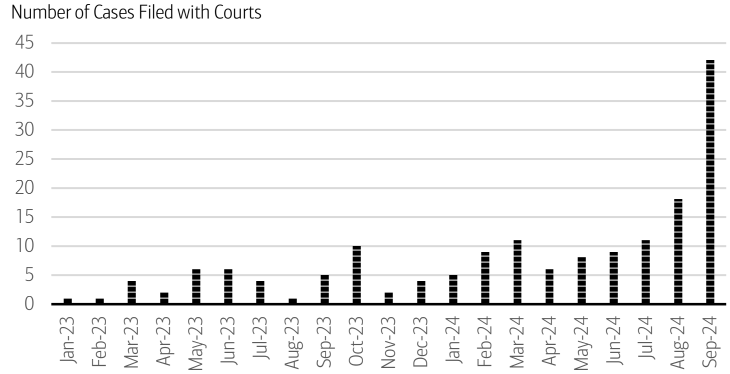


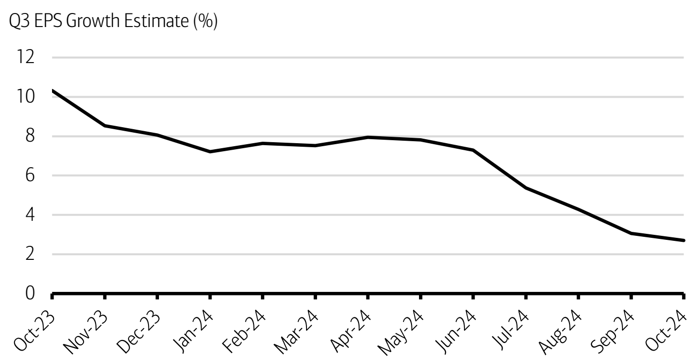

Exhibit 2A) Negative values represent the implied December 2025 fed funds rate (of cuts). Source: Bloomberg. Data as of October 2024. Exhibit 2B) One square icon represents one court case filed. Source: Bloomberg analysis of court filings. Data as of October 15, 2024. **It is not possible to invest directly in an index. Please refer to index definitions at the end of this report.**

**Can Q3 earnings breadth continue to improve?** Q3 earnings season is underway, with earnings per share (EPS) expectations lowered by more than usual. As Exhibit 3A suggests, this quarter's earnings growth for the S&P 500 now sits at a low bar of 3%—that's after posting a sector-diverse 11% YoY growth in the prior quarter. A possible regression this quarter is that the broadening out of sector earnings seen in Q2 results looks increasingly narrow again. Communication Services (+10%) and Technology (+15%) are again showing the highest estimated EPS contributions with great dispersion at the sector-level. When excluding those two sectors, earnings are estimated to contract by -1.2%.[5] Another complexity: The Artificial Intelligence return-on-hyperscaler-capital expenditures-investment that failed to inspire investors in Q2 will once again be under question and could lead to disappointing earnings reactions.

**Heightened anxiety about geopolitics.** Beyond U.S. borders, global tensions and ongoing conflicts risk market stability and disruptions to commodity prices. Case-in-point: As violence has escalated in the Middle East, Brent crude prices jumped to over $80 per barrel two weeks ago on the back of geopolitical risks ratcheting up. This ongoing interplay is clear in Exhibit 3A. We have long maintained that geopolitics matter, despite the relative market calm about the Middle East and the deterioration of U.S.-Sino relations. In short, it's a messy world, and we continue to keep a close eye on potential geopolitical events that could lead to a global repricing of assets. To this point, as a "safe haven", gold prices have surged by 30% this year, currently trading at an all-time high. Given the volatile nature of geopolitics, we continue to favor U.S. defense and cybersecurity leaders.

**Exhibit 3: A Low Bar for Q3 Earnings and Higher Geopolitical Risk Premium.**

3A) Q3's falling estimates is the largest quarter-to-quarter deceleration in years.




3B) Measuring the Geopolitical Impact on Oil Prices.

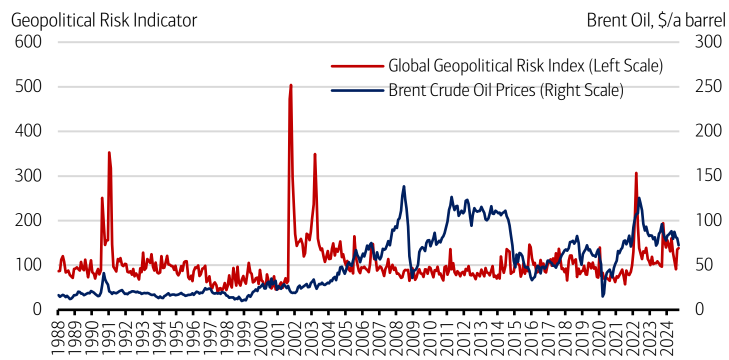



Exhibit 3A) Source: FactSet. Data for October is as of October 17, 2024. Exhibit 3B) Note: The Geopolitical Risk Index is constructed by Caldara and Iacoviello (2022) to measure adverse geopolitical events and associated risks based on automated text search results of the electronic archives of several newspapers covering geopolitical tensions. Sources: International Monetary Fund, Caldara and Iacoviello. Data as of October 2024. **It is not possible to invest directly in an index. Please refer to index definitions at the end of this report.**

[5] Source: FactSet. Data as of October 17, 2024.

THOUGHT OF THE WEEK

## An Update on Style Trends

*Theadora Lamprecht,* Assistant Vice President and Investment Strategist

While Large-cap, Growth-oriented stocks have continued to power ahead this year, a potential frontrunner may be emerging in the Value-focused space. Within both Large- and Small-caps year-to-date, Growth has risen over 27% and 15.8%, respectively, while Value has lagged behind at 19% and 11.3%, respectively (Exhibit 4A). This relationship began to reverse beginning in the second half of 2024, with Large-cap Value gaining a notable lead on Growth of over 6.0%. A similar pattern is playing out in the Small-cap arena, albeit at a less dramatic rate.

What's caused this rotation? To start, given the Fed's recent "recalibration" of rates, we emphasize a positive outlook toward Value-oriented stocks, as falling interest rates have proven beneficial for this style in the past. Value has historically outperformed Growth in the three and six months following the first Fed rate cut on average.[6] Furthermore, the second half of the year has shown clear signs of a broadening market as we saw an improvement in earnings from defensive and interest rate-sensitive sectors such as Financials, Healthcare and Utilities. We believe this equity rotation may continue as investors look to diversify beyond just Large-cap, Growth-oriented stocks. As we approach the end of the year, near-term volatility remains given elevated geopolitical concerns, the U.S. presidential election, and uncertainty about the magnitude of the Fed rate cuts. Thus, investors may be searching for stable and dividend-paying companies, which would lie in the Value space rather than the more volatile Growth field.

Additionally, for the last number of years, Value-oriented Equities have remained notably discounted compared to Growth, with a current one-year blended forward price-to-earnings (P/E) ratio of around 0.60, notably lower than the historical average of 0.71 (Exhibit 4B). While some Value-skeptics may voice that Value stocks have continued to promise outperformance over the last few years with little to show for it, we believe we're in a sweet spot now due to the aforementioned earnings improvement and shifting macroeconomic landscape.

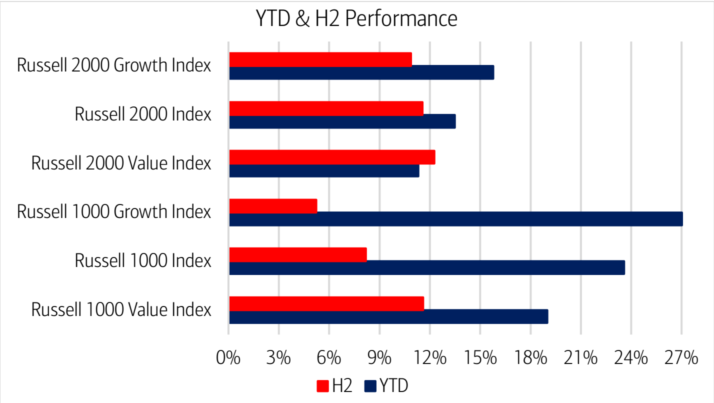
Ultimately, we believe this positive trend seen in Value-oriented Equities has room to continue, buoyed by easier monetary policy, a broadening market, and a positive earnings and valuations backdrop.

### Portfolio Considerations

In this macroeconomic environment, we highlight balanced diversification with a positive outlook toward Value-oriented equities, although portfolios should incorporate both Value and Growth factors, as appropriate. As we approach the end of 2024, we suggest that long-term investors consider using any excess cash during potential moments of market weakness to support new positions in these areas within their portfolios.

**Exhibit 4: Value Trending Positive This Fall.**

4A) Within Large- and Small-caps, Growth Leads YTD, while Value has Gained in Second Half (H2).




4B) Value Remains Relatively Cheap Compared to Growth.

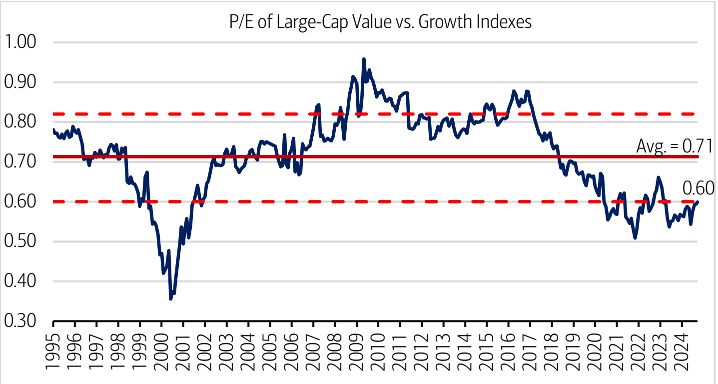



Exhibit 4A) Source: Bloomberg. Total return performance used. Data as of October 18, 2024. Exhibit 4B) Source: BofA Global Research; Bloomberg. Large-cap Value and Growth indexes and 1-year blended forward P/E metrics used. Data from 1995 to October 18, 2024. **It is not possible to invest directly in an index. Please refer to index definitions at the end of this report.**

[6] Refers to total return in Federal Reserve cutting cycles since 1980.

## Equities

| | Total Return in USD (%) | | | |
|---|---|---|---|---|
| | Current | WTD | MTD | YTD |
| DJIA | 43,275.91 | 1.0 | 2.3 | 16.5 |
| NASDAQ | 18,489.55 | 0.8 | 1.7 | 23.9 |
| S&P 500 | 5,864.67 | 0.9 | 1.8 | 24.3 |
| S&P 400 Mid Cap | 3,198.21 | 1.4 | 2.5 | 16.4 |
| Russell 2000 | 2,276.09 | 1.9 | 2.1 | 13.5 |
| MSCI World | 3,753.04 | 0.6 | 0.8 | 19.9 |
| MSCI EAFE | 2,409.36 | -0.4 | -2.4 | 10.3 |
| MSCI Emerging Markets | 1,155.12 | -0.4 | -1.3 | 15.3 |

## Fixed Income†

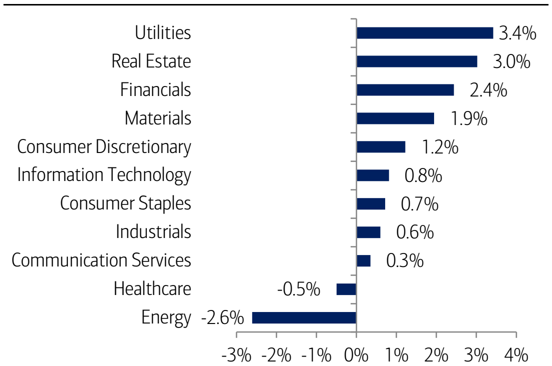
| | Total Return in USD (%) | | | |
|---|---|---|---|---|
| | Current | WTD | MTD | YTD |
| Corporate & Government | 4.38 | 0.09 | -1.39 | 2.94 |
| Agencies | 4.30 | 0.09 | -0.68 | 3.56 |
| Municipals | 3.43 | 0.23 | -0.34 | 1.95 |
| U.S. Investment Grade Credit | 4.51 | 0.05 | -1.41 | 2.98 |
| International | 4.93 | 0.07 | -1.22 | 4.04 |
| High Yield | 7.16 | 0.34 | -0.14 | 7.86 |
| 90 Day Yield | 4.63 | 4.63 | 4.62 | 5.33 |
| 2 Year Yield | 3.95 | 3.96 | 3.64 | 4.25 |
| 10 Year Yield | 4.08 | 4.10 | 3.78 | 3.88 |
| 30 Year Yield | 4.39 | 4.41 | 4.12 | 4.03 |

## Commodities & Currencies

| | Total Return in USD (%) | | | |
|---|---|---|---|---|
| Commodities | Current | WTD | MTD | YTD |
| Bloomberg Commodity | 235.20 | -2.5 | -1.9 | 3.9 |
| WTI Crude $/Barrel†† | 69.22 | -8.4 | 1.5 | -3.4 |
| Gold Spot $/Ounce†† | 2721.46 | 2.4 | 3.3 | 31.9 |

| | Total Return in USD (%) | | | |
|---|---|---|---|---|
| Currencies | Current | Prior Week End | Prior Month End | 2022 Year End |
| EUR/USD | 1.09 | 1.09 | 1.11 | 1.10 |
| USD/JPY | 149.53 | 149.13 | 143.63 | 141.04 |
| USD/CNH | 7.12 | 7.07 | 7.01 | 7.13 |

## S&P Sector Returns




Sources: Bloomberg, Factset. Total Returns from the period of 10/14/2024 to 10/18/2024. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 10/18/2024 close. Data would differ if a different time period was displayed. Short-term performance shown to illustrate more recent trend. **Past performance is no guarantee of future results.**

## Economic Forecasts (as of 10/18/2024)

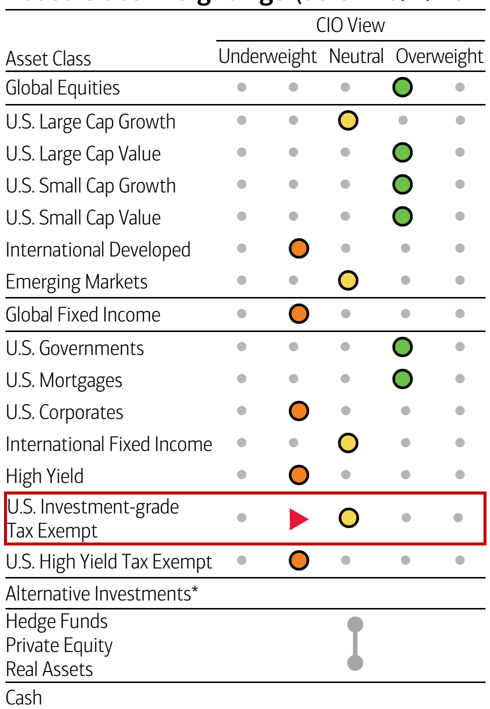
| | 2024E | Q1 2024A | Q2 2024A | Q3 2024A | Q4 2024E | 2025E |
|---|---|---|---|---|---|---|
| Real global GDP (% y/y annualized) | 3.1 | - | - | - | - | 3.2 |
| Real U.S. GDP (% q/q annualized) | 2.7 | 1.6 | 3.0 | 2.5* | 2.0 | 1.8 |
| CPI inflation (% y/y) | 2.9 | 3.2 | 3.2 | 2.6 | 2.5 | 2.3 |
| Core CPI inflation (% y/y) | 3.4 | 3.8 | 3.4 | 3.2 | 3.2 | 2.7 |
| Unemployment rate (%) | 4.0 | 3.8 | 4.0 | 4.2 | 4.3 | 4.5 |
| Fed funds rate, end period (%) | 4.38 | 5.33 | 5.33 | 4.83 | 4.38 | 3.13 |

The forecasts in the table above are the base line view from BofA Global Research. The Global Wealth & Investment Management (GWIM) Investment Strategy Committee (ISC) may make adjustments to this view over the course of the year and can express upside/downside to these forecasts. Historical data is sourced from Bloomberg, FactSet, and Haver Analytics. **There can be no assurance that the forecasts will be achieved. Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance.**

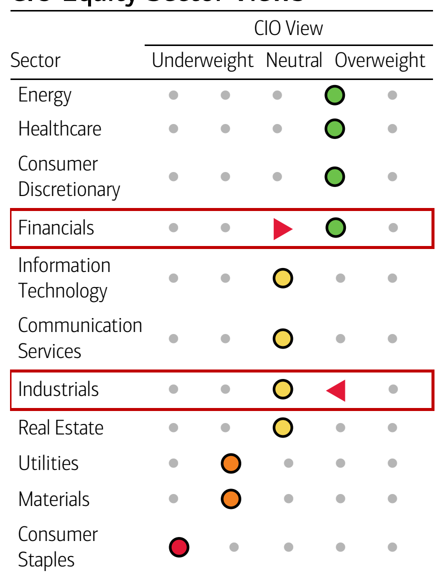
A = Actual. E/* = Estimate.

Sources: BofA Global Research; GWIM ISC as of October 18, 2024.

## Asset Class Weightings (as of 10/1/2024)




## CIO Equity Sector Views




*Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to qualified investors. CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio. Source: Chief Investment Office as of October 1, 2024. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

## Index Definitions

**Securities indexes assume reinvestment of all distributions and interest payments. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Indexes are all based in U.S. dollars.**

**S&P 500 Index** is a market-capitalization-weighted index that is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

**Consumer Price Index** is a price index, the price of a weighted average market basket of consumer goods and services purchased by households.

**Global Geopolitical Risk Index** measures the occurrence of impactful geopolitical events/threats/conflicts since 1985 by counting the keywords used in the press.

**Russell 1000 Growth Index Total Return** measures the performance of the large-cap growth segment of the US equity market. It includes companies with higher price-to-book ratios, higher forecasted growth, and higher historical sales per share growth.

**Russell 1000 Value Total Return** index measures the performance of large-cap stocks with lower price-to-book ratios and lower expected growth values.

**Russell 2000 Value Index** measures the performance of the small-cap value segment of the US equity universe. It includes those Russell 2000 companies with relatively lower price-to-book ratios, lower I/B/E/S forecast medium term growth, and lower sales per share historical growth.

**Russell 2000 Growth Index** measures the performance of the small- cap growth segment of the US equity universe. It includes those Russell 2000 companies with relatively higher price-to-book ratios, higher I/B/E/S forecast medium term (2 year) growth and higher sales per share historical growth (5 years).

## Important Disclosures

**Investing involves risk, including the possible loss of principal. Past performance is no guarantee of future results.**

This material does not take into account a client's particular investment objectives, financial situations, or needs and is not intended as a recommendation, offer, or solicitation for the purchase or sale of any security or investment strategy. Merrill offers a broad range of brokerage, investment advisory (including financial planning) and other services. There are important differences between brokerage and investment advisory services, including the type of advice and assistance provided, the fees charged, and the rights and obligations of the parties. It is important to understand the differences, particularly when determining which service or services to select. For more information about these services and their differences, speak with your Merrill financial advisor.

Bank of America, Merrill, their affiliates and advisors do not provide legal, tax or accounting advice. Clients should consult their legal and/or tax advisors before making any financial decisions.

This information should not be construed as investment advice and is subject to change. It is provided for informational purposes only and is not intended to be either a specific offer by Bank of America, Merrill or any affiliate to sell or provide, or a specific invitation for a consumer to apply for, any particular retail financial product or service that may be available.

The Chief Investment Office ("CIO") provides thought leadership on wealth management, investment strategy and global markets; portfolio management solutions; due diligence; and solutions oversight and data analytics. CIO viewpoints are developed for Bank of America Private Bank, a division of Bank of America, N.A., ("Bank of America") and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S" or "Merrill"), a registered broker-dealer, registered investment adviser and a wholly owned subsidiary of Bank of America Corporation ("BofA Corp.").

The Global Wealth & Investment Management Investment Strategy Committee ("GWIM ISC") is responsible for developing and coordinating recommendations for short-term and long-term investment strategy and market views encompassing markets, economic indicators, asset classes and other market-related projections affecting GWIM.

BofA Global Research is research produced by BofA Securities, Inc. ("BofAS") and/or one or more of its affiliates. BofAS is a registered broker-dealer, Member SIPC and wholly owned subsidiary of Bank of America Corporation.

All recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

Asset allocation, diversification and rebalancing do not ensure a profit or protect against loss in declining markets.

Investments have varying degrees of risk. Some of the risks involved with equity securities include the possibility that the value of the stocks may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the U.S. or abroad. Small cap and mid cap companies pose special risks, including possible illiquidity and greater price volatility than funds consisting of larger, more established companies. Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yields and share price fluctuations due to changes in interest rates. When interest rates go up, bond prices typically drop, and vice versa. Treasury bills are less volatile than longer-term fixed income securities and are guaranteed as to timely payment of principal and interest by the U.S. government. Bonds are subject to interest rate, inflation and credit risks. Investments in foreign securities (including ADRs) involve special risks, including foreign currency risk and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are magnified for investments made in emerging markets. Investments in a certain industry or sector may pose additional risk due to lack of diversification and sector concentration. There are special risks associated with an investment in commodities including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors.

**Alternative Investments are speculative and involve a high degree of risk.**

Alternative investments are intended for qualified investors only. Alternative Investments such as derivatives, hedge funds, private equity funds, and funds of funds can result in higher return potential but also higher loss potential. Changes in economic conditions or other circumstances may adversely affect your investments. Before you invest in alternative investments, you should consider your overall financial situation, how much money you have to invest, your need for liquidity and your tolerance for risk.

Nonfinancial assets, such as closely-held businesses, real estate, fine art, oil, gas and mineral properties, and timber, farm and ranch land, are complex in nature and involve risks including total loss of value. Special risk considerations include natural events (for example, earthquakes or fires), complex tax considerations, and lack of liquidity. Nonfinancial assets are not in the best interest of all investors. Always consult with your independent attorney, tax advisor, investment manager, and insurance agent for final recommendations and before changing or implementing any financial, tax, or estate planning strategy.